



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8- 67502

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **XMS Capital Partners, LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1215 Washington Ave., Suite 100
(No. and Street)

Wilmette

(City)

IL

(State)

60091

(Zip Code)

APR 03 2008

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Theodore J. Brombach

(847) 251-9606

(Area Code - Telephone Number)

OFFICIAL USE ONLY
FIRM I.D. NO.

PROCESSED

THOMSON
FINANCIAL

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Michael Silver & Company

(Name - if individual, state last, first, middle name)

5750 Old Orchard Road, Suite 200 Skokie

(Address)

(City)

IL

(State)

60077

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

Mail Processing
Section

MAR 26 2008

Washington, DC

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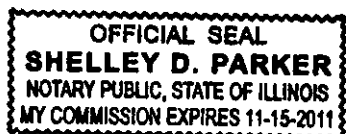
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, John F. Spence, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XMS Capital Partners, LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Shelley D. Parker
Notary Public

John F. Spence

Signature

MANAGING PARTNER

Title

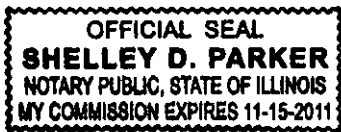
This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

OATH OR AFFIRMATION

I, Theodore J. Brombach, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XMS Capital Partners, LLC, as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Shelley D. Parker
Notary Public

Theodore J. Brombach
Signature
Managing Partner
Title

This report ** contains (check all applicable boxes):

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XMS CAPITAL PARTNERS, LLC

TABLE OF CONTENTS

PAGE

Independent Auditors' Report	1
Statement of Financial Condition	2
Statement of Income and Members' Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 6
Additional Information	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	7



MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA, R.I.A.
NEIL FRIEDMAN, CPA
HARVEY FAYER, CPA
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JENNIFER A. BARLIANT, CPA

INDEPENDENT AUDITORS' REPORT

Of Counsel
MARK R. GOLDSTICK, CPA

To the Members
XMS Capital Partners, LLC

We have audited the accompanying statement of financial condition of XMS Capital Partners, LLC as of December 31, 2007, and the related statements of income and members' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XMS Capital Partners, LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 7 is presented only for supplementary analysis purposes and is not a required part of the basic financial statements. The additional information on page 7 is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

Skokie, Illinois
March 26, 2008

XMS CAPITAL PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2007

ASSETS

Current Assets

Cash	\$ 166,919
Certificate of deposit	10,000
Accounts receivable	503,889
Security deposit	<u>2,100</u>

Total Current Assets	<u>682,908</u>
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Property And Equipment

Furniture and fixtures	14,997
Less: accumulated depreciation	<u>1,792</u>

Net Property and Equipment	<u>13,205</u>
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TOTAL ASSETS	<u>\$ 696,113</u>
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accounts payable	\$ 12,995
State deferred income taxes	<u>7,000</u>

Total Current Liabilities	19,995
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Members' Equity

<u>676,118</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 696,113</u>
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The accompanying notes are an integral part of these financial statements.

XMS CAPITAL PARTNERS, LLC

STATEMENT OF INCOME AND MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

Revenue	\$ 801,305
Operating Expenses	<u>227,202</u>
Operating Income	574,103
Other Income, Net	<u>3,292</u>
Income Before Provision For State Income Taxes	577,395
Provision For State Income Taxes	<u>7,000</u>
Net Income	570,395
Members' Equity - Beginning Of Year	32,223
Members' Contributions	<u>73,500</u>
Members' Equity - End Of Year	<u>\$ 676,118</u>

The accompanying notes are an integral part of these financial statements.

XMS CAPITAL PARTNERS, LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Flows From Operating Activities:

Net income	<u>\$ 570,395</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,792
Deferred income taxes	7,000
Changes in operating assets and liabilities:	
Increase in:	
Accounts receivable	(503,889)
Increase in:	
Accounts payable	<u>9,565</u>
Total adjustments	<u>(485,532)</u>
Net Cash Provided By Operating Activities	<u>84,863</u>

Cash Flows From Investing Activities:

Purchase of property and equipment	(8,080)
Purchase of certificate of deposit	<u>(10,000)</u>
Net Cash Used By Investing Activities	<u>(18,080)</u>

Cash Flows From Financing Activities:

Members' contributions	<u>73,500</u>
Net Increase In Cash	140,283
Cash - Beginning Of Year	<u>26,636</u>
Cash - End Of Year	<u>\$ 166,919</u>

The accompanying notes are an integral part of these financial statements.

XMS CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

1 - Nature Of Business

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company was organized September 22, 2006 pursuant to the Delaware Limited Liability Company Act. Under the Delaware Limited Liability Company Act, neither a member nor a manager of an LLC is personally liable for a debt, obligation, or liability of the LLC arising in a contract, tort, or otherwise.

The Company claims exemption to SEC Rule 15c3-3 under subparagraph k(1), due to its limited business.

2 - Summary Of Significant Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment are stated at cost. Significant costs of improvements are capitalized and repair costs are charged to expense as incurred. The cost of assets sold, retired, or abandoned and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in earnings. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years.

No provision for federal taxes on income is required since the members report their proportionate share of taxable income in their respective income tax returns. The Company is subject to certain state taxes.

State deferred income taxes are provided for timing differences in reporting results of operations for income tax and financial reporting purposes.

The Company recognizes consulting revenue for services as they are provided. Contingent revenues are recorded when earned based on the closing date of the transaction. Accounts receivable are recorded for revenue earned on closed transactions and client reimbursable expenses that have not been collected or are unbilled.

3 - Lease Commitments

The Company leases office space in Wilmette, Illinois under an operating lease agreement through May 31, 2008. Rental payments of \$2,200 are payable monthly. Rent expense was \$23,468 for the year ended December 31, 2007. Future minimum lease payments for the year ended December 31, 2008 are \$11,000.

XMS CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

4 - State Income Taxes

The components of the provision for state income taxes are as follows for the year ended December 31, 2007:

State deferred taxes	<u>\$ 7,000</u>
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The net state deferred tax liability consisted of the following at December 31, 2007:

State deferred tax liability resulting from tax and financial reporting differences in recording depreciation, and accrual assets and liabilities due to the fact that the Company is a cash-basis taxpayer	<u>\$ 7,000</u>
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5 - Major Customer

Revenue from one client amounted to approximately 75% of total revenue for the year ended December 31, 2007.

6 - Concentration Of Credit Risk

The Company maintains cash accounts at one financial institution and has credit risk for balances in excess of federally insured limits.

ADDITIONAL INFORMATION

XMS CAPITAL PARTNERS, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION DECEMBER 31, 2007

Net Capital

Total members' equity		\$ 676,118
Deduct members' equity not allowable for net capital		<u>-</u>
Total members' equity qualified for net capital		<u>676,118</u>
Add:		
No additional items to add		<u>-</u>
Total capital and allowable subordinated borrowings		676,118
Deductions and/or charges:		
Nonallowable assets:		
Fixed assets	13,205	
Other assets	2,100	
Other receivables	3,889	
Haircuts on securities:		
Certificate of deposit	13	
Savings funds	<u>3,257</u>	
		<u>22,464</u>
Total Net Capital		<u>\$ 653,654</u>

Aggregate Indebtedness

Items included in statement of financial condition:		
Other accounts payable and accrued expenses		<u>\$ 12,995</u>
Total Aggregate Indebtedness		<u>\$ 12,995</u>

Computation of Basic Net Capital Requirement

Minimum Net Capital Required in Accordance with NASD Regulations		<u>\$ 5,000</u>
Excess Net Capital		<u>\$ 648,654</u>
Ratio: Aggregate Indebtedness to Net Capital		0.02 to 1
Reconciliation with Company's Computation (included in Part II of Form X-17a-5 as of December 31, 2007)		
Net Capital, as reported in Company's Part II (unaudited) FOCUS report		\$ 152,276
Accrued earned revenue receivable		500,000
Error on calculation of haircut		10,876
Difference due to offsetting asset accounts against related liabilities		3,202
Other audit adjustments, net		<u>(12,700)</u>
Net Capital per above		<u>\$ 653,654</u>

See Independent Auditors' Report.



MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Members XMS Capital Partners, LLC

QI Counsel
MARK R. GOLDSTICK, CPA

In planning and performing our audit of the financial statements of XMS Capital Partners, LLC (Company), as of and for the year ended December 31, 2007 in accordance with U.S. generally accepted auditing standards, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. However, we identified the following deficiencies in internal control that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of XMS Capital Partners, LLC as of and for the year ended December 31, 2007, and this report does not affect our report thereon dated March 26, 2008. Management is responsible for the accuracy and completeness of all financial records and related information in accordance with U.S. generally accepted accounting principles. For the year ended December 31, 2007, we found a material adjustment that arose from a receivable not recorded to the financial statements in the proper period. The adjustment was not discovered by the Company's own internal control over financial reporting, and we consider it to be a material weakness in internal control. The Company's management now understands the proper timing for revenue recognition. No further corrective action is required.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Members, management, the SEC, FINRA, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Skokie, Illinois
March 26, 2008

END